

Message Text

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TO AMEMBASSY BUCHAREST PRIORITY

C O N F I D E N T I A L STATE 139333

E.O. 11652: GDS

TAGS: EEWT, ETRD, RO

SUBJECT: VISIT TO COMMERCE OF DEPUTY MINISTER OF MACHINE
BUILDING NECULA

1. ON MAY 24 DEPUTY MINISTER OF MACHINE BUILDING
ALEXANDRU NECULA, ACCOMPANIED BY AMBASSADOR NICOLAE, MET
FOR OVER TWO HOURS WITH COMMERCE/ITA OFFICIALS INCLUDING
SENIOR DEPUTY ASSISTANT SECRETARY MARCUSS, ACTING DEPUTY
ASSISTANT SECRETARY STROH AND OEA DIRECTOR MEYER. MEETINGS
FOCUSED PRIMARILY ON EXPORT CONTROL POLICY AND SPECIFIC
EXPORT LICENSE APPLICATIONS BUT ALSO TOUCHED ON OTHER
ISSUES IN OUR TRADE RELATIONS INCLUDING THE UPCOMING
TRADE AGREEMENT AND MFN HEARINGS, RECENT TRADE COMPLAINTS
BY U.S. FIRMS, AND OUR CONCERN WITH DECREE 223 PROPERTY
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CLAIMS.

2. FIRST MEETING INVOLVING NECULA AND OEA OFFICIALS LED
BY DIRECTOR MEYER LASTED ONE AND ONE-HALF HOURS. SENIOR
DAS MARCUSS WAS PRESENT FOR 25 MINUTES DURING WHICH
DISCUSSION CENTERED ON GOR'S PLANS FOR THE FUTURE IN THE
IMPORTANT ELECTRONICS AND COMPUTER SECTORS AND U.S.
EXPORT CONTROL POLICY. DURING PERIOD WHEN MARCUSS WAS
PRESENT, NECULA CITED THE IMPORTANT DISCUSSION OF EXPORT

CONTROLS HELD BETWEEN PRESIDENTS CARTER AND CEAUSESCU. NECULA STRESSED THAT HELP WAS NEEDED IN THE ELECTRONICS AND COMPUTER SECTORS, POINTING OUT SEVERAL CURRENT PROJECTS OF SPECIAL INTEREST TO THE GOR: COMPUTERS AND COMPUTER PERIPHERALS (CDC), MEASURING EQUIPMENT AND DEVICES (HEWLETT-PACKARD), CONNECTORS (FAIRCHILD), MAGNETIC TAPE, AND AS A FUTURE PROJECT MAGNETRONS FOR MICRO-WAVE APPLIANCES. SENIOR DAS MARCUSS NOTED THAT WE ARE SUPPORTIVE REGARDING THE ROM-CDC JOINT VENTURE AND ITS DEVELOPMENT. MARCUSS FELT THE PRESIDENT CARTER LETTER TO PRESIDENT CEAUSESCU WOULD BE HELPFUL IN OUR EFFORTS TO IMPROVE THE LICENSING PROCESS. MARCUSS ADDED THAT WHILE MANY DIFFERENT USG AGENCIES WERE INVOLVED IN THIS PROCESS, COMMERCE DID ALL IT COULD TO GRANT LICENSES. HE SAID COMMERCE HAD A BIAS TOWARD FINDING DAYS TO SOLVE LICENSE PROBLEMS AND THAT OUR ATTITUDE REGARDING LICENSES FOR ROMANIA WAS POSITIVE. MARCUSS ASKED IF THE LICENSING SITUATION HAD IMPROVED OR WORSENER SINCE THE CEAUSESCU VISIT; NECULA RESPONDED IT WAS TOO SOON TO TELL.

IN RESPONSE TO A QUESTION REGARDING GOR FUTURE PLANS FOR DEVELOPING ITS ELECTRONICS AND COMPUTER INDUSTRIES, NECULA RESPONDED THAT PRIORITY WAS BEING GIVEN TO (1) CONFIDENTIAL

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COMPUTERIZATION OF THE METALLURGICAL AND CHEMICAL SECTORS AND (2) THE DEVELOPMENT OF ROMANIA'S COMPUTER INDUSTRY BASED ON ITS COOPERATION WITH CDC. WITH RESPECT TO THE LATER NECULA EMPHASIZED THAT ROMANIA WAS DEVELOPING ITS OWN COMPUTER PROGRAM AND WAS NOT PARTICIPATING IN THE RYAD PROGRAM. HE SAID ROMANIA WANTS TO GO BEYOND ITS CURRENT COMPUTER AND PERIPHERAL PRODUCTION INTO TWO NEW AREAS: COORDINATION WITH DATA SERVICE CENTERS AND PRODUCTION OF LARGER, MORE SOPHISTICATED COMPUTERS.

MARCUSS SAID THAT THESE TWO AREAS OF DEVELOPMENT WILL BE DIFFICULT REGARDING EXPORT LICENSES, BUT, HE ADDED, WE WANT TO LOOK AT THESE CASES VERY CAREFULLY BECAUSE WE FAVOR THE DEVELOPMENT OF TRADE BETWEEN OUR TWO COUNTRIES.

3. FOR THE REMAINING HOUR WITH DIRECTOR MEYER AND OTHER OEA OFFICIALS, NECULA RAISED SPECIFIC EXPORT CONTROL CASES AND REVIEWED KEY PROJECTS HE HAD DISCUSSED WITH U.S. FIRMS DURING HIS TEN-DAY VISIT HERE. NECULA EXPLAINED THAT CASES INVOLVING MAGNETIC TAPE DRIVES (PERTEC), CONNECTORS (ITT-CANNON), AND INPUT/OUTPUT DEVICES AND TECHNICAL DATA FOR PRINTERS (CENTRONICS) WERE THE MOST IMPORTANT AT PRESENT. MEYER RESPONDED AS FOLLOWS:

A. THREE PERTEC CASES, NUMBERS 277698, 277964, 285397,

REGARDING MAGNETIC TAPE DRIVES ARE CURRENTLY IN INTER-AGENCY REVIEW AND WE DO NOT FORESEE PROBLEMS WITH THESE

APPLICATIONS.

B. TWO ITT-CANNON CASES, NUMBERS 307755, 307756, REGARDING CONNECTORS ARE UNDERGOING OEA REVIEW AND LOOK PROMISING FROM TECHNICAL DATA STANDPOINT ALTHOUGH SOME OF THE EQUIPMENT INVOLVED MAY BE TROUBLESOME.

C. CENTRONICS CASE, NUMBER 291414, INVOLVING INPUT/OUTPUT DEVICES IS IN COCOM AND WE EXPECT ANSWER SOON.
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CENTRONICS CASE, NUMBER 293558, INVOLVING TECHNICAL DATA FOR PRINTERS AND MICRO-PROCESSORS IS IN INTERAGENCY REVIEW BUT MAY POSE PROBLEMS BECAUSE TECH DATA HERE IS FOR PRODUCTION PURPOSES.

4. OEA OFFICIALS REVIEWED WITH NECULA STATUS OF 49 LICENSE APPLICATIONS ON BASIS OF A LIST PROVIDED PREVIOUSLY BY ROMANIAN EMBASSY. IN MOST CASES WE WERE ABLE TO GIVE NOT ONLY STATUS OF CASE BUT ALSO PROGNOSIS OF ITS ULTIMATE DISPOSITION. MOST OF THE 15 CDC CASES REVIEWED WERE EITHER IN COCOM OR INTERAGENCY REVIEW. BOTH NECULA AND AMBASSADOR NICOLAE EXPRESSED CONCERN WITH LENGTH OF TIME NEEDED FOR LICENSING DECISION, NOTING THAT SOME OF THESE 49 CASES DATED BACK TO 1976 AND EVEN 1975. WHERE LICENSE APPLICATIONS HAD BEEN DENIED OR RETURNED TO APPLICANT WITHOUT ACTION, 12 AND 4 RESPECTIVELY OUT OF THE 49 CASES, NECULA AND NICOLAE SOUGHT AND RECEIVED AN EXPLANATION FOR THESE ACTIONS. FOUR CASES ON THE LIST HAD RECEIVED LICENSES.

REGARDING THE 12 CASES DENIED AMBASSADOR NICOLAE ASKED IF OEA COULD LOOK BACK AT THOSE CASES TO SEE IF CIRCUMSTANCES MIGHT NOT HAVE CHANGED SINCE THE CASES WERE DENIED. IF SO, NICOLAE ARGUED, THE GOR COULD ASK THE U.S. COMPANIES INVOLVED TO APPLY AGAIN FOR THE EXPORT LICENSES SINCE ROMANIA WAS STILL INTERESTED IN THE PRODUCTS AND TECHNOLOGY DENIED. MEYER RESPONDED THAT FOR OEA OFFICIALS TO CONDUCT SUCH A REVIEW WOULD TAKE AWAY TIME THEY MIGHT OTHERWISE BE APPLYING TO CURRENT ROMANIAN CASES. HOWEVER, HE DID SAY THAT WE COULD LOOK BACK AT THE DENIED CASES AND TRY TO GIVE THE GOR A ROUGH IDEA OF THE LICENSING PROSPECTS FOR THESE RENEWED APPLICATIONS. MEYER ADDED THAT WE DID NOT FORESEE
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LICENSING PROBLEMS FOR THE AUTOMATIC PROCESSING EQUIPMENT AND PARTS ROMANIA DESIRES FOR ITS CHEMICAL INDUSTRY.

5. IN SEPARATE 40 MINUTE MEETING WITH ACTING DAS STROH

AND OTHER BEWT OFFICIALS, DEPUTY MINISTER NECULA BRIEFLY REVIEWED HIS TEN-DAY VISIT HERE. NECULA CITED FAIRCHILD, PERTEC, AMPEX, CENTRONICS, AND ITT-CANNON AS THE MAIN U.S. FIRMS WITH WHOM HE MET. NECULA NOTED THAT HIS DISCUSSIONS WITH THESE FIRMS FOCUSED ON PROJECTS FOR WHICH CONTRACTS HAD BEEN SIGNED BUT EXPORT LICENSES NOT YET RECEIVED AND ON FUTURE PROJECTS THAT MIGHT BE CARRIED OUT. NECULA ALSO REFERRED TO HIS VISIT WITH THE FIRM GLOBAL UNION IN MILWAUKEE FOR COMMERCIAL TALKS CONCERNING CAR BATTERY PRODUCTION IN ROMANIA. NECULA FORESAW A POSSIBLE CONTRACT SIGNING BY MID-JUNE. HE EXPLAINED THAT THIS PROJECT HAD THE POTENTIAL TO EVENTUALLY BE A JOINT VENTURE BUT THAT IN ITS CURRENT FORM WOULD REMAIN A COOPERATION. NECULA EMPHASIZED THE GOR'S STRONG DESIRE TO DO MORE COOPERATION PROJECTS WITH U.S. FIRMS.

6. ACTING DAS STROH TOOK ADVANTAGE OF AMBASSADOR NICOLAE'S PRESENCE WITH NECULA TO RAISE SEVERAL IMPORTANT ISSUES IN OUR TRADE RELATIONS. FIRST, STROH DID PRESENT TO NECULA AND NICOLAE BEWT'S REVISION OF THE GOR PROPOSAL FOR A JOINT CONSULTATIVE WORKING GROUP IN ELECTRONICS. THIS PROPOSAL HAD BEEN GIVEN TO US LAST NOVEMBER DURING THE ECONOMIC COMMISSION AND IS REFERRED TO IN PARAGRAPH 19 OF THE COMMISSION'S AGREED MINUTE. WE EXPLAINED TO NECULA THAT THE GOR PROPOSAL IN ITS ORIGINAL FORM HAD BEEN INADEQUATE FOR PRESENTATION TO U.S. ELECTRONICS ASSOCIATIONS FOR POSSIBLE SPONSORSHIP. STROH EXPLAINED THAT THE BEWT REVISION OF THE PROPOSAL, WHEN ELABORATED ON AND APPROVED BY ROMANIAN AUTHORITIES, CAN BE PRESENTED BY US TO SUCH ASSOCIATIONS FOR THEIR CONSIDERATION. COPIES OF THE BEWT REVISION ARE BEING POUCHED TO CONFIDENTIAL

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THE EMBASSY THIS WEEK.

SECOND, STROH MENTIONED THE UPCOMING TRADE AGREEMENT AND MFN HEARINGS ON ROMANIA, IN PARTICULAR REMARKING ON THE CLOSE VOTE (209 TO 173) IN THE HOUSE ON THE HUNGARIAN TRADE AGREEMENT AND MFN EXTENSION. STROH REPEATED OUR CONCERN THAT THREE TRADE DISPUTES (SOHIO, CELANESE, AND AGRO-CHEM) COULD SURFACE DURING THE HEARINGS ON ROMANIA AND RESULT IN ONE OR MORE OF THESE FIRMS TESTIFYING AGAINST ROMANIA. WE REVIEWED BRIEFLY EACH OF THESE COMPLAINTS (PARTICULARS ON THESE THREE CASES BEING POUCHED TO EMBASSY THIS WEEK) WITH AMBASSADOR NICOLAE AND URGED HIM TO SEEK SOLUTIONS TO THESE DISPUTES THROUGH BUCHAREST BEFORE THE HEARINGS, PROBABLY IN MID-JUNE. NICOLAE ASSURED US THAT HE WAS AWARE OF THESE COMPLAINTS AND WAS DOING WHAT HE COULD TO RESOLVE THEM. NICOLAE

FELT THESE PROBLEMS SHOULD BE WORKED OUT QUIETLY AND HE

SAID THAT AIRING THEM PUBLICLY IN THE HEARINGS COULD UPSET BUCHAREST AND NOT BE IN THE INTEREST OF REACHING SOLUTIONS.

STROH ALSO REPEATED OUR CONTINUING CONCERN WITH THE DECREE 223 PROPERTY CLAIMS ISSUE AND ITS POSSIBLE IMPACT DURING THE HEARINGS. STROH STRESSED OUR VULNERABILITY ON THIS ISSUE WITH THE CONGRESS GIVEN THE YEARS OF DISCUSSION CONCERNING IT. HE HOPED THAT PROGRESS MIGHT BE SHOWN BEFORE THE HEARINGS ON THE THREE CASES PRESENTED BY AMBASSADOR AGGREY EARLIER THIS YEAR. AMBASSADOR NICOLAE NOTED THAT THE ISSUE WAS BEING DISCUSSED IN BUCHAREST WITH OUR EMBASSY, BUT NICOLAE ADDED THAT HE HAD NO REPORT AS YET REGARDING THE RECENT MEETING BETWEEN MINISTER OF FINANCE NICULESCU AND CONFIDENTIAL

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AMBASSADOR AGGREY.

7. COMMENT. AS IN 1976, NECULA MADE A GOOD IMPRESSION UPON US. WHILE DEALING WITH ONE OF THE MOST DIFFICULT, AND CERTAINLY FOR HIM, FRUSTRATING, AREAS OF OUR BILATERAL ECONOMIC RELATIONS, NECULA SEEMS TO UNDERSTAND THE REALITIES OF OUR EXPORT LICENSING SYSTEM. RATHER THAN COMPLAINING BITTERLY ABOUT THE SYSTEM, AS IS OFTEN THE CASE WITH GOR OFFICIALS, NECULA AGAIN DEMONSTRATED HIS DESIRE TO DETERMINE WHAT IS POSSIBLE AND WHAT IS NOT POSSIBLE IN ELECTRONICS AND COMPUTERS, AND WHERE LICENSES HAVE BEEN OR WILL BE DENIED TO LEARN WHY AND HOW APPLICATIONS MIGHT BE STRUCTURED TO GET THEM THROUGH AT A LATER DATE. AS WITH MINISTER AVRAM, IN APRIL, NECULA DID STRESS NEED FOR ACTION ON CASES THAT HAVE BEEN HANGING AROUND SINCE 1976 AND EARLY 1977. WE ANTICIPATE THAT IN THE WAKE OF THE CARTER LETTER TO CEAUSESCU, WHICH NECULA CITED, ROMANIAN EMBASSY MAY APPROACH US MORE FREQUENTLY NOW FOR REVIEW OF EXPORT LICENSE APPLICATIONS BEFORE OEA. VANCE

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